

Message Text

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14

ORIGIN EB-11

INFO OCT-01 ARA-16 ISO-00 TRSE-00 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 IO-14 /107 R

DRAFTED BY EB/IFD/ODF:RSGELBARD:CU

APPROVED BY EB/IFD:SWEINTRAUB

EB/IFD/ODF:REBENEDICK

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ARA/LA/BC:JEKARKASHIAN

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FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO

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E.O. 11652: N/A

TAGS: EFIN, IBRD, IDB, CI

SUBJECT: PROSPECTS FOR IBRD AND IDB LOANS TO CHILE

REF: SANTIAGO 5140

FOLLOWING IS FOR YOUR BACKGROUND:

1. WE INFORMED MCNAMARA THAT U.S. FAVORED IBRD PROCEEDING ON THREE POSTPONED LOANS TOTALLING DOLS. 13 MILLION AS SOON AS POSSIBLE, SUBJECT ONLY TO THE QUALIFICATION THAT MCNAMARA BE CONFIDENT THAT LOANS WOULD NOT BE DEFEATED WHEN BROUGHT FORWARD. WE WERE LATER INFORMED THAT MCNAMARA HAD RECEIVED NEGATIVE SIGNALS FROM SEVERAL EUROPEAN COUNTRIES AND FELT IT MORE PRUDENT TO DELAY BRINGING LOANS TO BOARD, AT LEAST UNTIL HIS RETURN, DECEMBER 4. WE FURTHER UNDERSTAND THAT THIS DECISION HAS CAUSED SOME EMBARRASSMENT TO MCNAMARA SINCE HE HAD EARLIER INDICATED TO CHILEANS THAT HE WOULD PROCEED EARLY IN OCTOBER ON THESE LOANS IF THE CHILEANS MET THEIR DEBT ARREARAGES TO BANK, AND CHILEANS

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ARE IN FACT MEETING THEIR PART OF THE DEAL. CHILEANS KNOW

THIS BACKGROUND, AND ARE NOW DEBATING WHETHER THEY MIGHT HOLD UP THEIR DEBT PAYMENTS ON GROUNDS OF PRINCIPLE (WE ADVISED THEM AGAINST DOING THIS) OR BECAUSE THEY SIMPLY LACK THE CASH.

2. AS YOU KNOW, IBRD WILL BE REPRESENTED ON IMF TEAM DUE IN CHILE NEXT WEEK. AT PRESENT, IBRD ALSO PLANS ON SENDING OWN MISSION TO CHILE SOME TIME EARLY NEXT YEAR. CHILE CAN- NOT, THEREFORE, EXPECT ADDITIONAL IBRD LOANS UNTIL NEXT YEAR. WE ALSO HAVE ENCOURAGED IBRD TO CONSIDER TAKING LEAD IN COORDINATING THE EFFORTS OF OTHER DONORS, BOTH BILATERAL AND MULTILATERAL.

3. ENDESA HYDRO-ELECTRIC LOAN IN IDB FOR DOLS. 65 MIL- LION WILL NOT GO TO LOAN COMMITTEE UNTIL END OF NOVEMBER. RESULTANT PROCEDURAL DELAYS AND CHRISTMAS RECESS WILL MEAN THAT LOAN NOT RPT NOT LIKELY TO BE CONSIDERED BY BOARD UNTIL JANUARY. IDB MANAGEMENT ALSO INDICATES INTEREST IN WAITING UNTIL IMF REPORT PUBLISHED.

4. DISBURSEMENTS FOR EXISTING IDB LOANS ARE CONTINUING WITHOUT INTERRUPTION. FOR REMAINDER OF CY1973, DOLS. 8 MILLION WILL BE DISBURSED; FOR CY1974, DOLS. 21 MILLION. KISSINGER

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